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June 21, 2002

Via Hand-Delivery

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

DOCKET NO.

02-00718

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REGULATORY AUTH.
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OFFICE OF THE
EXECUTIVE SECRETARY

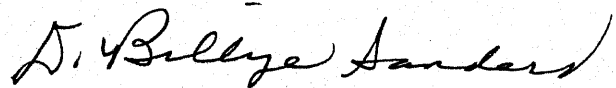
Re: Petition of Kentucky Utilities Company for an Order
Authorizing the Issuance of Securities and the
Assumption of Obligations

Dear Mr. Waddell:

Enclosed you will find the original and 13 copies of the above
referenced Petition from Kentucky Utilities Company and a check for \$25 for the
filing fee.

Please contact me if you have any questions or need additional
information.

Sincerely,



D. Billye Sanders

DBS:lmb
Enclosures

cc: Russell Perkins, Esq., Consumer Advocate and Protection Division
Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
Linda S. Portasik, Esq.
John P. Fendig, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: PETITION OF KENTUCKY UTILITIES)
 COMPANY FOR AN ORDER AUTHORIZING) DOCKET NO. 02-00718
 THE ISSUANCE OF SECURITIES AND THE)
 ASSUMPTION OF OBLIGATIONS

PETITION TO ISSUE SECURITIES PURSAUNT
TO T.C.A. SECTION 65-4-109

Kentucky Utilities Company ("KU" or "Petitioner"), pursuant to T.C.A. § 65-4-109, hereby applies for an Order authorizing Petitioner to issue securities as described herein. In support of this Petition, Petitioner states as follows:

1. Petitioner is a corporation organized and existing under the laws of the Commonwealths of Kentucky and Virginia and is an electric utility engaged in the business thereof primarily in Kentucky and Virginia. Petitioner also has six (6) customers in Tennessee which produced revenue of \$2,550.90 in the past twelve months (0.00031% of KU's revenue and 0.00059% of KU's kwh sales). All of KU's Tennessee customers are located in one county, and its electric utility property located in Tennessee consists of approximately 7½ pole miles of electric lines and one distribution substation. A description of Petitioner's total electric utility property, in Tennessee, Kentucky and Virginia, is attached as Exhibit 1.

2. The post office address of Petitioner is One Quality Street, Lexington, Kentucky 40507.

3. A copy of Petitioner's Amended and Restated Articles of Incorporation and all amendments thereto were filed with the Authority in Docket No. 01-00845 (In re: Application of Powergen plc, to Transfer Control to E.ON AG).

4. This Petition relates to the proposed refinancing of Petitioner's \$96,000,000 principal amount of County of Carroll, Kentucky 7.45% Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series A, due September 15, 2016, secured by KU's First Mortgage Bonds, Pollution Control Series No. 8.

The existing County of Carroll, Kentucky Pollution Control Revenue Bonds, Series 1992 A are herein referred to as the "Existing Bonds". The existing KU First Mortgage Bonds, Pollution Control Series No. 8 are herein referred to as the "Existing First Mortgage Bonds". KU was authorized to undertake its obligations in regard to the Existing Bonds and the Existing First Mortgage Bonds by Order of the Tennessee Public Service Commission in Docket No. 91-03271, dated May 28, 1991. In connection with this refinancing, Petitioner requests authority to (i) assume certain obligations under various agreements relating to the refunding of the Existing Bonds in an aggregate principal amount not to exceed \$96,000,000, and (ii) issue Petitioner's First Mortgage Bonds in an aggregate principal amount not to exceed \$96,000,000 to collateralize the proposed new bonds all as more particularly described herein.

The purpose for refinancing the Existing Bonds is to take advantage of currently prevailing, historically low interest rates and thereby reduce KU's costs of debt over the life of the bonds. The Existing Bonds currently bear interest at the rate of 7.45% per annum. Based on current interest rates, Petitioner expects that the Refunding Bonds could be issued initially at lower rates, whether variable or fixed, providing current (or near term) interest rate savings. The Existing Bonds also may be candidates for extension of maturity, which, if permissible, would provide even further savings. Based upon factors including a preliminary analysis of the remaining expected useful lives of the subject pollution control facilities, KU expects to be able to extend the maturity of the proposed Refunding Bonds, to a later date, which may not exceed

30 years from the issuance date of the Refunding Bonds. Any such extension would allow the continued use of low-cost tax-exempt financing beyond the current maturity of the Existing Bonds, further reducing costs (see the net present value analysis attached hereto as Exhibit 2). This low-cost tax-exempt financing directly benefits the Company's customers. While federal law does not presently permit new pollution control financing on a tax-exempt basis, federal law does permit the issuance of pollution control bonds to refund outstanding pollution control bonds within 90 days prior to the redemption and discharge of the existing pollution control bonds and to extend the bond maturities within certain limits provided in tax regulations.

The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions) and (iii) KU's expenses associated with the sale of the Existing Bonds.

	Public Offering Price	Proceeds	Expenses
County of Carroll, Kentucky Pollution Control Revenue Bonds, 1992 Series A	\$96,000,000	\$94,584,000	\$1,851,493

The Existing Bonds are subject to redemption, upon at least 30 days prior notice, at 102% of their principal amount beginning on September 15, 2002 through September 14, 2003.

5. In connection with the refinancing of the Existing Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County, Kentucky, and may enter into guaranty agreements guaranteeing repayment of all or any part of the obligations under the Refunding Bonds for the benefit of the holders of such bonds.

KU requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$96,000,000 in connection with the proposed issuance of new Carroll County pollution control revenue bonds (the "Refunding Bonds"). Carroll County has express statutory authority to issue the Refunding Bonds pursuant to Kentucky

Revised Statute 103.220(5). KU proposes to assume such obligations in connection with the refinancing of the Existing Bonds. The proceeds of the Refunding Bonds would be loaned to KU by Carroll County to provide funds to redeem and discharge the Existing Bonds which would be carried out within 90 days of the issuance of the Refunding Bonds.

6. KU anticipates that the refinancing will involve KU's New First Mortgage Bonds (as hereinafter defined) issued to collateralize and secure the Refunding Bonds. KU's New First Mortgage Bonds would replace Existing First Mortgage Bonds which currently secure the Existing Bonds. If KU's New First Mortgage Bonds are used, the structure and documentation for the issuance of the bonds and related agreements would be similar to the structure and documentation of other recent pollution control financings of KU involving KU's First Mortgage Bonds. KU's New First Mortgage Bonds will be issued in like amount to the Refunding Bonds and would be used to secure its payment obligations under the Refunding Bonds. KU therefore requests authority to issue its New First Mortgage Bonds, Pollution Control Series (collectively the "New First Mortgage Bonds") in an aggregate principal amount not to exceed \$96,000,000. The New First Mortgage Bonds would be delivered to one or more corporate trustees under indentures of trust between Carroll County and such trustee (each a "Trustee") in connection with the issuance and sale by Carroll County of its Refunding Bonds. The New First Mortgage Bonds would be held by the Trustees to secure payment of the Refunding Bonds and payment by KU of all sums payable by KU as discussed below. The New First Mortgage Bonds will be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture of Mortgage and deed of Trust dated May 1, 1947, between KU and U.S. Bank, National Association, and Richard Prokosch, as successor trustees, as heretofore amended and

supplemented. The New First Mortgage Bonds would have a maturity date corresponding to the Refunding Bonds, not to exceed 30 years from date of issuance.

7. The Refunding Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between Carroll County and the Trustee. The proceeds from the sale of the Refunding Bonds would be loaned to KU pursuant to loan agreements between Carroll County and KU (collectively the "Loan Agreement").

The payments to be made by KU under the Loan Agreement for the Refunding Bonds, together with other funds available for the purpose, would be sufficient to pay the principal and interest on such Refunding Bonds. The Loan Agreement and the payments to be made by KU pursuant thereto will be assigned to the County to secure the payment of the principal and interest on the Refunding Bonds. Upon issuance of the Refunding Bonds, KU may issue one or more guaranties (collectively the "Guaranties"), in favor of the Trustees guaranteeing repayment of all or any part of the obligations under such Refunding Bonds for the benefit of the holders of such bonds.

8. The Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. Their price, maturity date(s), interest rate(s), redemption provisions and other terms and provisions of the Refunding Bonds (including, in the event a portion of the Refunding Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations among KU, Carroll County, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Refunding Bonds to be sold. Based upon past experience with similar refinancings, KU estimates the total costs, including

redemption premiums, of the issuance of the Refunding Bonds and the redemption and discharge of the Existing Bonds to be approximately \$2.4 million.

9. Because of the historical spread between long-term fixed interest rates and short term rates, all or a portion of the Refunding Bonds may be issued initially with interest rates that fluctuate on a weekly, monthly or other basis as determined from time-to-time by KU, including issuance of auction mode Refunding Bonds, coupled with bond insurance. KU would reserve the option to convert such Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest. Refunding Bonds that bear interest at a variable rate (the "Variable Rate Refunding Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Refunding Bonds, KU would enter into one or more remarketing agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Refunding Bonds, which will be 100% of the par amount of such Variable Rate Refunding Bonds. Thus, to the extent Variable Rate Refunding Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate.

10. Also, in the event that Variable Rate Refunding Bonds are issued, KU may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by KU (the "Bank"). The Current Facility would be a credit agreement designed to provide KU with immediately available funds with which to make payments with respect to any Variable Rate Refunding Bonds that have been tendered for purchase and not remarketed. The Current Facility is not expected to be pledged for the payment of the Variable Rate Refunding Bonds or to constitute security therefore. The Current Facility may consist in whole or in part of such

liquidity facilities. Pursuant to the Current Facility, KU may be required to execute and deliver to the Bank a note evidencing KU's obligations to the Bank under the Current Facility.

In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Refunding Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or Credit Support Facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which replaces a replacement facility, is hereinafter referred to as a "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Refunding Bonds. It is contemplated that, in the event the Variable Rate Refunding Bonds are converted to bear interest at a fixed rate, the Current Facility (if not already replaced or terminated) or, if applicable, the facility (unless earlier terminated) will be terminated in whole or in part following the date of conversion of such series of Variable Rate Refunding Bonds. The estimated cost of the refinancing shown in Item 8 does not include expenses incurred for entering into any Facility, however the impact on the overall cost of the refinancing would be approximately 21 basis points.

11. In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such facility, which

would contain the terms of reimbursement or payment to be made by KU to the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Refunding Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Refunding Bonds when due and paying principal, whether at maturity, upon redemption, acceleration or otherwise.

12. In connection with the issuance of the Refunding Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counter Party"). The Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and to limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Refunding Bonds. The Hedging Facility will set forth the specific terms upon which KU will agree to pay the Counter Party payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the refinancing does not include the costs of any Hedging Facility, which would be determined at the

time of the hedge. However, based on current market conditions, the cost of a 3-year hedge would be approximately 150 basis points.

The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counter Party and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreements, the Guaranties, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Refunding Bonds (which will not exceed an aggregate principal amount of \$96,000,000) plus accrued but unpaid interest and premium, if any, on such bonds.

13. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

14. Attached as Exhibit 3 to this Petition is a copy of the pertinent section of the official statement describing the redemption provisions for the Existing Bonds.

15. KU shall, as soon as reasonably practicable after the issuance of the Refunding Bonds referred to herein, file with the Tennessee Regulatory Authority a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and, if applicable, their method of determination), and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

16. Exhibit 4 to this Petition contains KU's financial exhibit.

17. Exhibit 5 to this Petition is a certified copy of KU's Board of Directors resolution authorizing the issuance of the First Mortgage Bonds, the assumption of obligations under the

Loan Agreement, the Guaranties and all transactions related thereto and discussed in this Petition.

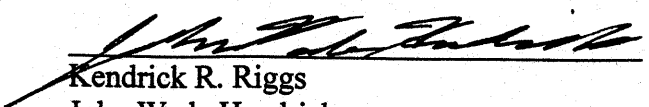
18. Interest rates are at historically low levels. In order to take advantage of these levels and any further improvements of the capital markets, Petitioner respectfully requests that the Tennessee Regulatory Authority process this Petition as expeditiously as practicable to afford Petitioner maximum flexibility in connection with this refinancing.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Tennessee Regulatory Authority enter its Order, in the form of the Proposed Order attached as Exhibit 6, authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreement, and any Guaranties, Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Petition. Kentucky Utilities Company further requests that the order of the Tennessee Regulatory Authority specifically include provisions stating:

1. KU is authorized to issue and deliver the new First Mortgage Bonds in an aggregate principal amount not to exceed \$96,000,000 in the manner set forth in its Petition.

2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreement(s) with Carroll County, Kentucky, and under any guaranties, remarketing agreement, hedging agreements, auction agreements, bond insurance agreements, credit agreements and facilities, and such other agreements and documents as set out in its Petition, and to perform the transactions contemplated by such agreements.

Respectfully submitted,



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(502) 582-1601

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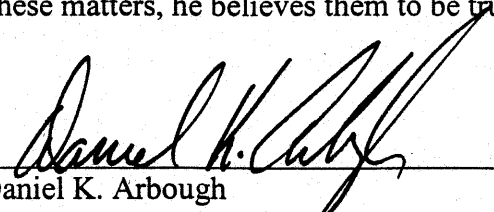
Of Counsel

VERIFICATION

COMMONWEALTH OF KENTUCKY

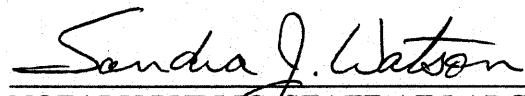
COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Petition and knows the contents thereof, and that the same is true of his own knowledge, except as to the matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.


Daniel K. Arbough

Subscribed and sworn before me this 19th day of June, 2002.

My Commission Expires: 10/25/04


NOTARY PUBLIC, STATE AT LARGE

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of June, 2002, a true and correct copy of the foregoing Petition was served on the persons below by placing same in the U.S. mail, postage pre-paid:

Consumer Advocate and Protection Division
Office of Attorney General
Cordell Hull Building
426 5th Avenue North
Nashville, Tennessee 37243-0500

D. Billye Sanders
D. Billye Sanders

246522v2

LIST OF EXHIBITS

Exhibit 1 – Description of Kentucky Utilities Company's Property

Exhibit 2 – Net Present Value Analysis

Exhibit 3 – Redemption Provisions for Existing Bonds

Exhibit 4 – Financial Exhibit

Exhibit 5 – Certified Board Resolutions

Exhibit 6 – Proposed Order

KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY
AND THE COST THEREOF TO APPLICANT

APRIL 30, 2002

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 3,029,000 Kw; two hydroelectric generating stations having an estimated total effective capability of about 24,000 Kw; and eleven gas/oil peaking units having an estimated total effective capability of about 905,000 Kw.

The applicant's owned electric transmission system includes 112 substations with a total capacity of approximately 14,855,396 Kva and approximately 4,409 structure miles of lines. The electric distribution system includes 438 substations with a total capacity of approximately 5,046,307 Kva, and 14,924 structure miles of overhead lines.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at April 30, 2002, was:

	<u>Utility Plant</u>
Original Cost	
Intangible Plant	\$ 15,175,960
Production Plant	1,544,622,534
Transmission Plant	448,095,709
Distribution Plant	866,062,385
General Plant	76,413,190
Transportation Plant	25,416,882
Construction Work in Progress	115,346,800
Total Plant at Original Cost	\$ 3,091,133,460
Less Reserve for Depreciation	1,485,800,821
Net Original Cost	<u>\$ 1,605,332,639</u>

KENTUCKY UTILITIES COMPANY
Debt Refunding Analysis Summary
(Dollars in Thousands)

Carroll County \$96 million 7.45% Series A

	Fixed	Bank LOC Weekly	Variable secured by FMBs Weekly Mode ⁽³⁾	10 Year Put Bond	Variable secured by FMBs/Ambac Insurance 35-day
Proposed Rate ⁽¹⁾ Spread over BMA	5.32%	2.71% 85 bps	2.26% 40 bps	4.80%	2.51% 65 bps
Call Premium	\$ 1,920,000	\$ 1,920,000	\$ 1,920,000	\$ 1,920,000	\$ 1,920,000
Issuance Cost	\$ 842,000	\$ 658,000	\$ 458,000	\$ 1,034,000 ⁽⁴⁾	\$ 976,400
2002 Savings	\$ (2,347,419)	\$ (1,667,095)	\$ (1,383,139)	\$ (1,962,950)	\$ (1,944,267)
Present Value ⁽²⁾					
CASHFLOWS Savings	\$ 11,190,230	\$ 31,525,013	\$ 35,574,514	\$ 14,727,572	\$ 33,048,453

⁽¹⁾ Variable current rate based on the Annual Average for the BMA Index

⁽²⁾ The present value savings analysis is based on facts and assumptions as they exist today. The amount of actual cashflow savings will be affected by the terms and market conditions at the time of issuance of the New Debt.

⁽³⁾ The estimates provided are given for comparison.

⁽⁴⁾ Initial Issuance Cost of \$554,000 plus 50 bps underwriting fee for the issuance of a new put bond for 2012.

KENTUCKY UTILITIES
Debt Refunding Analysis

Carroll County \$96 million 7.45% Series A due September 16, 2016
Comparison: Fixed Rate
Impact on Cash Flow

EXISTING CAPITALIZATION										PROPOSED REFUNDING										PRESE	
TAX EXEMPT POLLUTION CONTROL BONDS										TAX EXEMPT POLLUTION CONTROL BONDS											
Date	Principal Outstanding	Interest @ 7.450%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 5.32%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding (\$2,762,000)									
15-Sep-02	\$ 96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735		9842,000	(1,097,188)	\$2,762,000	621,871									
15-Mar-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Mar-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
15-Sep-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,553,600	164,735			(1,097,188)	1,456,412	621,871									
TOTAL	\$100,128,000	\$3,770,592	\$451,936,089	\$58,191,931	\$71,500,800	\$4,612,592	\$1,920,000	\$842,000	\$14,650,399	\$43,641,632	\$14,650,399										

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

NT VALUE ANALYSIS

Present Value Factor	Present Value SAVINGS (\$2,762,000)
1.0000	612,097
0.9843	602,476
0.9688	593,007
0.9536	583,686
0.9386	574,511
0.9238	565,481
0.9093	556,593
0.8950	547,845
0.8810	539,234
0.8671	530,758
0.8536	522,416
0.8401	514,205
0.8269	506,123
0.8139	498,167
0.8011	490,337
0.7885	482,630
0.7761	475,044
0.7639	467,578
0.7519	462,995
0.7401	445,875
0.7284	438,866
0.7170	431,968
0.7057	425,179
0.6946	418,496
0.6837	411,918
0.6730	405,444
0.6624	399,071
0.6520	
0.6417	
	\$11,190,230

Assumptions

EXISTING ISSUE
 Carroll Co. Pollution Control Bonds
 7.450% \$ 96,000,000 Matures September 15, 2016

Unamortized Debt Expense
 Remaining amortization period
 At April 30, 2002
 \$3,770,592

From Sept. 15, 2002 to Maturity 168.0 months
 Redemption (Call) Price 102%
 Amount of Premium \$1,920,000
FIRST CALL September 15, 2002

Cost of Funds (Lost Investment Earnings)
 5.00%

PROPOSED REFUNDING
 Tax Exempt Pollution Control Bonds
 6.320% \$ 96,000,000 Matures September 15, 2016

Bond Issue Costs
 Underwriting 0.60%
 0.88%

Issuance Costs
 Bond Counsel \$ 78,000.00 0.08%
 Company Counsel \$ 70,000.00 0.07%
 Underwriters Coun: \$ 42,000.00 0.04%
 Ratings \$ 24,000.00 0.03%
 Printing \$ 6,000.00 0.01%
 Trustee Counsel \$ 6,000.00 0.01%
 Accountants \$ 40,000.00 0.04%
 AMT 0.00%
 Issuance costs 0.28%

MISCELLANEOUS
 Tax rate 40.363% (Federal, State, Local and County Taxes)
 Discount rate 3.17%

Carroll County \$96 million 7.45% Series A due September 15, 2016

Comparison: LOC Backed

Impact on Cash Flow

KENTUCKY UTILITIES
Debt Refunding Analysis

EXISTING CAPITALIZATION										PROPOSED REFUNDING										PRESENT VALUE ANAL									
TAX EXEMPT POLLUTION CONTROL BONDS										TAX EXEMPT POLLUTION CONTROL BONDS										TAX EXEMPT POLLUTION CONTROL BONDS									
Date	Principal Outstanding	Interest @ 7.450%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 2.71%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or Refunding SAVINGS from Refunding	Present Value Factor																
15-Sep-02	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	\$2,578,000	(2,578,000)	1.0000																
15-Mar-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9920																
15-Sep-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9840																
15-Mar-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9761																
15-Sep-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9682																
15-Mar-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9604																
15-Sep-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9527																
15-Mar-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9450																
15-Sep-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9374																
15-Mar-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9299																
15-Sep-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9224																
15-Mar-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9150																
15-Sep-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9078																
15-Mar-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.9003																
15-Sep-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8931																
15-Mar-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8859																
15-Sep-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8788																
15-Mar-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8717																
15-Sep-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8647																
15-Mar-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8578																
15-Sep-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8509																
15-Mar-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8440																
15-Sep-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8372																
15-Mar-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8305																
15-Sep-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8238																
15-Mar-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8172																
15-Sep-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8106																
15-Mar-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.8041																
15-Sep-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,300,800	158,164			(588,874)	711,926	1,366,358	0.7976																
TOTAL					\$58,191,931						\$22,511,918																		
					\$41,936,069						\$16,488,482																		
					\$3,720,592						\$16,599,000																		
					\$100,128,000						\$1,920,000																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
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					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422,400						\$4,428,592																		
					\$36,422																								

LYSIS

Present Value
SAVINGS
(#2,578,000)
1,355,368
1,344,467
1,333,654
1,322,927
1,312,287
1,301,732
1,291,262
1,280,877
1,270,575
1,260,356
1,250,219
1,240,163
1,230,189
1,220,295
1,210,480
1,200,744
1,191,087
1,181,507
1,172,001
1,162,578
1,153,227
1,143,952
1,134,751
1,125,624
1,116,571
1,107,591
1,098,682
1,089,846
431,525.013

10-Jun-02

Assumptions

EXISTING ISSUE
 Carroll Co. Pollution Control Bonds
 7.450% \$ 96,000,000 Matures September 15, 2016
 Unamortized Debt Expense \$3,770,592 At April 30, 2002
 Remaining amortization period
 From Sept. 15, 2002 to Maturity 168.0 months
 Redemption (Call) Price 102%
 Amount of Premium \$1,920,000
 FIRST CALL September 15, 2002
 Cost of Funds (Lost Investment Earnings) 5.00%

PROPOSED REFUNDING
 Tax Exempt Pollution Control Bonds
 4.3710% \$ 96,000,000 Matures September 15, 2016
 Bond Issue Costs Underwriting 0.20%
 Issuance Costs 0.65%
 Bond Counsel \$ 78,000.00 0.08%
 Company Counsel \$ 70,000.00 0.07%
 Underwriters Coun. \$ 42,000.00 0.04%
 Ratings \$ 24,000.00 0.03%
 Printing \$ 6,000.00 0.01%
 Trustee Counsel \$ 6,000.00 0.01%
 Accountants \$ 40,000.00 0.04%
 AMT \$ - 0.00%
 LOC \$ 200,000.00 0.21%
 Issuance costs 0.49%

MISCELLANEOUS
 Tax rate 40.353% (Federal, State, Local and County Taxes)
 Discount rate 1.62%

KENTUCKY UTILITIES
Debt Refunding Analysis

Carroll County \$96 million 7.45% Series A due September 15, 2016
Comparison: Variable (Weekly CP Mode)
Impact on Cash Flow

EXISTING CAPITALIZATION										PROPOSED REFUNDING										PRESE
TAX EXEMPT POLLUTION CONTROL BONDS										TAX EXEMPT POLLUTION CONTROL BONDS										
Date	Principal Outstanding	Interest @ 7.450%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 2.28%	Debt Expense Amortization (1)	Call Premium \$1,920,000	Issue Expenses \$458,000	Taxes (2)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding (\$2,378,000)								
15-Sep-02	\$ 96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	\$2,378,000									
15-Mar-03	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-03	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-04	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-04	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-05	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-05	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-06	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-06	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-07	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-07	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-08	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-08	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-09	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-09	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-10	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-10	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-11	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-11	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-12	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-12	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-13	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-13	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-14	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-14	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-15	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-15	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Mar-16	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
15-Sep-16	96,000,000	3,576,000	134,864	(1,497,717)	2,078,283	1,084,800	151,021			(498,808)	585,992	1,492,292								
TOTAL					\$100,128,000	\$3,770,592	\$41,936,069	\$18,785,767		\$113,966,833	\$18,785,767	\$39,408,163								

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

NT VALUE ANALYSIS

Present Value Factor	Present Value SAVINGS (\$2,378,000)
1.0000	
0.9933	1,482,274
0.9866	1,472,324
0.9800	1,462,441
0.9734	1,452,624
0.9669	1,442,874
0.9604	1,433,188
0.9539	1,423,668
0.9475	1,414,012
0.9412	1,404,620
0.9349	1,395,092
0.9286	1,385,727
0.9224	1,376,425
0.9162	1,367,186
0.9100	1,358,009
0.9039	1,348,893
0.8978	1,339,838
0.8918	1,330,844
0.8858	1,321,911
0.8799	1,313,037
0.8740	1,304,223
0.8681	1,295,469
0.8623	1,286,773
0.8565	1,278,135
0.8507	1,269,555
0.8450	1,261,033
0.8394	1,252,568
0.8337	1,244,160
0.8281	1,235,809
	\$35,574,514

Assumptions

EXISTING ISSUE
 Carroll Co. Pollution Control Bonds
 7.450% \$ 96,000,000 Matures September 15, 2016

Unamortized Debt Expense \$3,770,592
 Remaining amortization period At April 30, 2002

From Sept. 15, 2002 to Maturity 188.0 months

Redemption (Call) Price 102%
 Amount of Premium \$1,920,000

Cost of Funds (Lost Investment Earnings) 5.00%

FIRST CALL September 15, 2002

PROPOSED REFUNDING

Tax Exempt Pollution Control Bonds
\$96,000,000 \$ 96,000,000 Matures September 15, 2016

Bond Issue Costs Underwriting 0.20%
 Issuance Costs 0.49%

Bond Counsel \$ 78,000.00 0.08%
 Company Counsel \$ 70,000.00 0.07%
 Underwriters Couns \$ 42,000.00 0.04%
 Ratings \$ 24,000.00 0.03%
 Printing \$ 6,000.00 0.01%
 Trustee Counsel \$ 6,000.00 0.01%
 Accountants \$ 40,000.00 0.04%
 AMT \$ 0.00%
 Issuance costs 0.28%

MISCELLANEOUS

Tax rate 40.363% (Federal, State, Local and County Taxes)

Discount rate 1.35%

KENTUCKY UTILITIES
Debt Refunding Analysis

Carroll County \$96 million 7.45% Series A due September 15, 2016
Comparison: 10 Year Put Bond
Impact on Cash Flow

EXISTING CAPITALIZATION

TAX EXEMPT POLLUTION CONTROL BONDS

PROPOSED REFUNDING

TAX EXEMPT POLLUTION CONTROL BONDS

PRESE

Date	Principal Outstanding	Interest @ 7.450%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 4.80%	Debt Expense Amortization (1)	Call Premium \$1,920,000	Issue Expenses (2) \$554,000	Taxes (3)	Total Cash Outlay	Periodic (Cost) or SAVINGS from Refunding (\$2,474,000)
15-Sep-02	\$ 96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	\$2,474,000	766,575
15-Mar-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Mar-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
15-Sep-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	2,304,000	154,450			(992,292)	1,311,708	766,575
TOTAL	\$100,128,000	\$3,770,592	\$41,936,060		\$58,191,931	\$64,512,000	\$4,324,592	\$1,920,000	\$1,034,000	\$27,784,169	\$39,681,831	\$18,510,100

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Issuance Expenses include an upfront underwriting fee in 10 years for a new put bond.
(3) Tax calculation based on interest expense and the amortization of new issue debt expense.

INT VALUE ANALYSIS

Present Value Factor	Present Value SAVINGS (\$2,474,000)
1.0000	765,694
0.9858	744,968
0.9718	734,393
0.9580	723,969
0.9444	713,693
0.9310	703,563
0.9178	693,576
0.9048	683,731
0.8919	674,026
0.8793	664,459
0.8668	655,027
0.8545	645,730
0.8424	636,564
0.8304	627,529
0.8186	618,621
0.8070	609,840
0.7956	601,184
0.7842	592,651
0.7731	584,239
0.7621	575,941
0.7513	567,771
0.7407	559,712
0.7301	551,767
0.7198	543,935
0.7096	536,214
0.6995	528,603
0.6896	521,100
0.6798	513,703
0.6701	
	<u>\$14,727,572</u>

Assumptions

EXISTING ISSUE
Carroll Co. Pollution Control Bonds
7.450% \$ 96,000,000 Matures September 15, 2016

Unamortized Debt Expense
Remaining amortization period
At April 30, 2002
\$3,770,592

From Sept. 15, 2002 to Maturit 168.0 months
Redemption (Call) Price 102%
Amount of Premium \$1,920,000
FIRST CALL September 15, 2002

Cost of Funds (Lost Investment Earnings)
5.00%

PROPOSED REFUNDING
Tax Exempt Pollution Control Bonds
\$96,000,000 Matures September 15, 2016

Bond Issue Costs		0.58%
Underwriting		
Issuance Costs		
Bond Counsel	\$ 78,000.00	0.08%
Company Counsel	\$ 70,000.00	0.07%
Underwriters Coun:	\$ 42,000.00	0.04%
Ratings	\$ 24,000.00	0.03%
Printing	\$ 6,000.00	0.01%
Trustee Counsel	\$ 6,000.00	0.01%
Accountants	\$ 40,000.00	0.04%
AMT		0.00%
Issuance costs		0.28%

MISCELLANEOUS
Tax rate 40.363% (Federal, State, Local and County Taxes)
Discount rate 2.86%

KENTUCKY UTILITIES
Debt Refunding Analysis

Carroll County \$96 million 7.45% Series A due September 15, 2016
Comparison: Auction Rate (35-day Mode)
Impact on Cash Flow

EXISTING CAPITALIZATION										PROPOSED REFUNDING										PRESENT VALUE AND	
TAX EXEMPT POLLUTION CONTROL BONDS										TAX EXEMPT POLLUTION CONTROL BONDS											
Date	Principal Outstanding	Interest @ 7.450%	Debt Expense Amortization	Taxes	Total Cash Outlay	Interest @ 2.51%	Debt Expense Amortization (1)	Call Premium	Issue Expenses	Taxes (2)	Total Cash Outlay	Periodic (Cost) or Refunding	Present Value Factor								
15-Sep-02	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535	\$1,920,000	\$976,400	(554,716)	\$2,896,400	(92,896,400)	1.0000								
15-Mar-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9925								
15-Sep-03	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9852								
15-Mar-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9778								
15-Sep-04	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9705								
15-Mar-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9633								
15-Sep-05	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9561								
15-Mar-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9490								
15-Sep-06	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9419								
15-Mar-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9349								
15-Sep-07	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9279								
15-Mar-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9210								
15-Sep-08	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9142								
15-Mar-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9073								
15-Sep-09	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.9006								
15-Mar-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8939								
15-Sep-10	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8872								
15-Mar-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8806								
15-Sep-11	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8740								
15-Mar-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8675								
15-Sep-12	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8611								
15-Mar-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8548								
15-Sep-13	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8483								
15-Mar-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8419								
15-Sep-14	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8357								
15-Mar-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8294								
15-Sep-15	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8233								
15-Mar-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8171								
15-Sep-16	96,000,000	3,576,000	134,664	(1,497,717)	2,078,283	1,204,800	169,535			(554,716)	650,084	1,428,199	0.8110								
TOTAL					\$58,191,931	\$33,734,400	\$4,746,992	\$1,920,000	\$976,400	(\$15,632,052)	\$21,098,748	\$37,093,183									

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

LYSIS

Present Value
SAVINGS
(\$2,886,400)
1,417,557
1,408,993
1,396,508
1,386,101
1,376,772
1,365,520
1,355,344
1,345,244
1,335,220
1,325,270
1,315,394
1,305,592
1,295,863
1,286,208
1,276,621
1,267,108
1,257,666
1,248,293
1,238,991
1,229,768
1,220,594
1,211,498
1,202,470
1,193,510
1,184,616
1,175,788
1,167,028
1,158,330
\$33,048,453

Assumptions

EXISTING ISSUE
 Carroll Co. Pollution Control Bonds
 7.450% \$ 96,000,000 Matures September 15, 2016

Unamortized Debt Expense \$3,770,592 At April 30, 2002

Remaining amortization period

From Sept. 15, 2002 to Maturity 168.0 months

Redemption (Call) Price 102%
 Amount of Premium \$1,920,000

FIRST CALL September 15, 2002

Cost of Funds (Lost Investment Earnings) 5.00%

PROPOSED REFUNDING
 Tax Exempt Pollution Control Bonds
 5.250% \$ 96,000,000 Matures September 15, 2016

Bond Issue Costs Underwriting 0.35%
 1.02%

Issuance Costs

Bond Counsel	\$ 78,000.00	0.08%
Bond Insurance	\$ 374,400.00	0.39%
Company Counsel	\$ 70,000.00	0.07%
Underwriters Coun.	\$ 42,000.00	0.04%
Ratings	\$ 24,000.00	0.03%
Printing	\$ 6,000.00	0.01%
Trustee Counsel	\$ 6,000.00	0.01%
Accountants	\$ 40,000.00	0.04%
AMT	\$	0.00%
Issuance costs		0.87%

MISCELLANEOUS

Tax rate 40.363% (Federal, State, Local and County Taxes)

Discount rate 1.50%

At any time, DTC may determine to discontinue providing its services with respect to the 1992 Series A Bonds by giving written notice to the County and the Trustee. Under such circumstances (unless a successor to DTC which is reasonably acceptable to the Trustee has been appointed to act as securities depository), the County and the Trustee shall be obligated to deliver 1992 Series A Bond certificates as described in the Indenture.

Redemption Provisions

Optional Redemption. The 1992 Series A Bonds are subject to redemption by the County at the direction of the Company in whole or in part by lot in such manner as the Trustee may determine, on any date on or after September 15, 2002, at the applicable redemption price, expressed as a percentage of principal amount, set forth below, plus interest accrued to the redemption date:

Redemption Period	Optional Redemption Price
September 15, 2002 to September 14, 2003	102%
September 15, 2003 to September 14, 2004	101%
September 15, 2004 and thereafter	100%

Extraordinary Optional Redemption in Whole. The 1992 Series A Bonds may be redeemed by the County in whole at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred:

(a) if in the judgment of the Company, unreasonable burdens or excessive liabilities shall have been imposed upon the Company after the issuance of the 1992 Series A Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other *ad valorem* property, income or other taxes not imposed on May 1, 1991, other than *ad valorem* taxes levied upon privately owned property used for the same general purpose as the Project;

(b) if the Project or a portion thereof or other property of the Company in connection with which the Project is used shall have been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use, and such condition shall continue for a period of six months;

(c) there shall have occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;

(d) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Ghent Generating Station shall have occurred which, in the judgment of the Company, render the continued operation of the Ghent Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the 1992 Series A Bonds, including but not limited to changes in clean air or other air and water pollution control requirements or solid waste disposal requirements, shall have occurred such that the Company shall determine that use of the Project is no longer required or desirable;

(e) the Loan Agreement shall have become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or Federal) or any final decree, judgment or order of any court or administrative body, whether state or Federal; or

(f) a final judgment shall be rendered to such extent as may be required for a period of

None of the events set forth in this Official Statement shall constitute a default under the Settlement Indenture.

Extraordinary Redemption in Whole. The 1992 Series A Bonds may be redeemed by the County in whole at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred:

Mandatory Redemption in Whole. The 1992 Series A Bonds may be redeemed by the County at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred:

Such redemption shall be subject to the terms and conditions set forth in the Indenture. Such redemption shall be subject to the terms and conditions set forth in the Indenture. Such redemption shall be subject to the terms and conditions set forth in the Indenture.

If the Internal Revenue Service shall determine that the 1992 Series A Bonds are not qualified for tax purposes for the purposes of the Internal Revenue Code, the County shall be obligated to redeem the 1992 Series A Bonds at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan.

Mandatory Redemption in Whole. The 1992 Series A Bonds may be redeemed by the County at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred:

(f) a final order or decree of any court or administrative body after the issuance of the 1992 Series A Bonds shall require the Company to cease a substantial part of its operations at the Ghent Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such station for a period of six months.

None of the events described in clauses (a) through (f) above have occurred and are continuing as of the date of this Official Statement, and it is a condition to the Underwriter's obligation to purchase the 1992 Series A Bonds on the Settlement Date that no such events will have occurred and be continuing as of such date.

Extraordinary Optional Redemption in Whole or in Part. The 1992 Series A Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the County, the Company or the First Mortgage Trustee in the event of damage, destruction or condemnation of all or a portion of the Project. See "THE LOAN AGREEMENT—Maintenance; Damage, Destruction and Condemnation".

Mandatory Redemption; Event of Taxability. The 1992 Series A Bonds are subject to mandatory redemption by the County at 100% of the principal amount thereof plus accrued interest to the redemption date if the Company is required to prepay the amounts due under the Loan Agreement after a final determination by a court of competent jurisdiction or an administrative agency to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the interest payable on the 1992 Series A Bonds is included for federal income tax purposes in the gross income of any Bondholder (other than any Bondholder who is a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended, (the "Code")). For purposes of this section, the term Bondholder shall also include any Beneficial Owner of the 1992 Series A Bonds. Such mandatory redemption shall take place within 180 days after such final determination.

Such redemption is not obligatory unless the Company has participated in or had the opportunity to participate, to a degree the Company reasonably deems sufficient, in the proceeding which resulted in such determination, either directly or through a Bondholder. No determination will be considered final until the conclusion of any appellate review or the expiration of the time for seeking such review. Further, no redemption obligation will arise unless such Bondholder permits the Company to participate in such proceedings to the degree the Company reasonably deems sufficient and gives the Company prompt written notice of the commencement of such proceedings. The 1992 Series A Bonds will be redeemed in whole, unless the Trustee receives an opinion of Harper, Ferguson & Davis, as Bond Counsel, or any other attorney or firm of attorneys acting as Bond Counsel in accordance with the Indenture ("Bond Counsel"), that partial redemption would result in the interest payable on the remaining 1992 Series A Bonds outstanding after such redemption not being included in the gross income of any Bondholder, other than a Bondholder who is a "substantial user" of the Project or a "related person" as such terms are used in Section 147(a) of the Code.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any 1992 Series A Bond (except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includible in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement, the 1992 Series A Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their 1992 Series A Bonds, receiving principal and interest at the rate stated on the cover page hereof as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final determination of taxability, 1992 Series A Bonds will not be redeemed as described herein.

Mandatory Redemption; Failure to Pay and Discharge Refunded 1982 Series A Bonds. The 1992 Series A Bonds are also subject to mandatory redemption in whole at 100% of the principal amount thereof plus accrued interest within 19 days after the date (the "Failed Cross-Over Date") which is the 90th day after the issuance of the 1992 Series A Bonds if, on or prior to such 90th day, the Company has not caused the payment and discharge

of the Refunded 1982 Series A Bonds in accordance with the indenture of trust under which the Refunded 1982 Series A Bonds were issued.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice by first class mail to the registered owners of the 1992 Series A Bonds to be redeemed not less than 30 days (or, in the case of a mandatory redemption pursuant to a Failed Cross-Over Date, 14 days), nor more than 60 days prior to the redemption date. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been given, irrespective of whether the Bondholder receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any 1992 Series A Bond will not affect the validity of any proceedings for the redemption of any other 1992 Series A Bond. No further interest shall accrue on the principal of any 1992 Series A Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Trustee as of the redemption date.

Discharge of Indenture. Upon certain terms and conditions specified in the Indenture, the 1992 Series A Bonds or any portion thereof shall be deemed to be paid, and the assignment of payments made in the Indenture for the security of such 1992 Series A Bonds and the security provided by the First Mortgage Bonds may be discharged, upon the making of provision for payment by irrevocably depositing with the Trustee, cash or Government Obligations maturing as to principal and interest at such times as to be sufficient to provide amounts to pay when due the principal of, premium, if any, and interest on such 1992 Series A Bonds and all reasonable and necessary fees and expenses of the Trustee and paying agent associated therewith. See "THE INDENTURE—Discharge of Indenture".

THE LOAN AGREEMENT

General

The term of the Loan Agreement shall commence as of its date and end on the earliest to occur of September 15, 2016, and the date on which all of the 1992 Series A Bonds shall have been fully paid or provision has been made for such payment pursuant to the Indenture. See "THE INDENTURE—Discharge of Indenture".

The Company has agreed to repay the loan pursuant to the Loan Agreement by making timely payments to the Trustee in sufficient amounts to pay the principal of, premium, if any, and interest required to be paid on the 1992 Series A Bonds on each date upon which any such payments are due. The Company has also agreed to pay (a) the reasonable and necessary fees and charges of the Trustee and any paying agent appointed under the Indenture, (b) the expenses in connection with any redemption of the 1992 Series A Bonds and (c) the reasonable out-of-pocket expenses of the County.

All payments to be made by the Company to the County pursuant to the Loan Agreement (except the reasonable out-of-pocket expenses of the County and amounts related to indemnification) have been assigned by the County to the Trustee, and the Company will pay such amounts directly to the Trustee. The obligations of the Company to make the payments pursuant to the Loan Agreement are absolute and unconditional.

Maintenance of Tax Exemption

The Company and the County have agreed not to take any action which would result in the interest paid on the 1992 Series A Bonds being included in gross income of any Bondholder (other than a holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes. For purposes of this section, the term Bondholder shall also include any Beneficial Owner of the 1992 Series A Bonds.

Issuance and Delivery of First Mortgage Bonds

For the purpose of providing security for the 1992 Series A Bonds, the Company will execute and deliver to the Trustee on the Settlement Date the First Mortgage Bonds. The principal amount of First Mortgage Bonds executed and delivered to the Trustee shall equal the principal amount of the 1992 Series A Bonds. In the event

of a default under the L
the 1992 Series A Bonds
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INDENTURE—Waive

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Provisions—Extra

Insurance

The Company
Indenture.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT
(807 KAR 5:001 SEC. 6)

APRIL 30, 2002

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.
5,300,000 shares of Cumulative Preferred Stock, without par value.
2,000,000 shares of Preference Stock without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding.

Preferred Stock

\$100 stated value, 4-3/4% cumulative, 200,000 shares issued and outstanding.
\$100 stated value, 6.53 % cumulative, 200,000 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

Preferred Stock outstanding has cumulative provision on dividends.

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Mortgage indenture dated May 1, 1947, executed by and between the Company and U.S. Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto. As of April 30, 2002, the amount of indebtedness secured thereby was \$484,830,000. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at April 30, 2002, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense Year Ended April 30, 2002
				Authorized	Outstanding at April 30, 2002	
P	05/15/92	05/15/07	7.92%	\$ 53,000,000	\$ 53,000,000	\$ 4,611,789
P	05/15/92	05/15/27	8.55%	33,000,000	33,000,000	2,821,500
Q	06/15/93	06/15/03	6.32%	62,000,000	62,000,000	3,918,400
R	06/01/95	06/01/25	7.55%	50,000,000	50,000,000	3,775,000
S	01/15/96	01/15/06	5.99%	36,000,000	36,000,000	2,156,400
Pollution Control Bonds						
1B	08/01/92	02/01/18	6.25%	\$ 20,930,000	\$ 20,930,000	1,308,125
2B	08/01/92	02/01/18	6.25%	2,400,000	2,400,000	150,000
3B	08/01/92	02/01/18	6.25%	7,200,000	7,200,000	450,000
4B	08/01/92	02/01/18	6.25%	7,400,000	7,400,000	462,500
8	09/15/92	09/15/16	7.45%	96,000,000	96,000,000	7,152,000
9	12/01/93	12/01/23	5.75%	50,000,000	50,000,000	2,882,773
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	1,185,411
11	05/01/00	05/01/23	Variable	12,900,000	12,900,000	298,564
					484,830,000	31,172,462
Interest rate swap						(5,681,529)
Long term debt mark to market					2,061,900	(101,308)
Total					<u>\$ 486,891,900</u>	<u>\$ 25,389,625</u>

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest paid thereon during the last fiscal year.

<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Interest Paid Year Ended April 30, 2002</u>
LG&E Energy Corp.	12/31/00	\$ 52,889,650	Various	Various	\$ 1,045,600

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

<u>Year</u>	<u>Amount Paid</u>
1997	66,559,000
1998	58,091,000
1999	73,000,000
2000	94,500,000
2001	30,500,000
2002	-

- (1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy Corp. and all dividends declared by KU's Board of Directors are paid to LG&E Energy Corp.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the dividend amounted to \$4.75 per share, or \$950,000.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6.53 per share, or \$1,306,000.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Commission. Our most recent mailing covered financial statements for periods through March 31, 2002. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending April 30, 2002.

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item 2(a))

The 2001 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance Sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Statements of Other Comprehensive Income, Management's Discussions and Analysis of Financial Condition and Results of Operation, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"). The Annual Report, the FERC Form 1, and subsequent monthly reports of KU have been previously filed with the Commission.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending April 30, 2002.

KENTUCKY UTILITIES COMPANY
COMPARATIVE STATEMENT OF INCOME
APRIL 30, 2002

	YEAR ENDED CURRENT MONTH		
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT %
Electric Operating Revenues.....	856,347,653.89	841,468,777.79	14,878,876.10 1.77
Rate Refunds.....	(437,055.00)	13,174,623.66	(13,611,678.66) (103.32)
Total Operating Revenues.....	855,910,598.89	854,643,401.45	1,267,197.44 0.15
Operating Expenses			
Fuel.....	240,436,963.54	222,692,961.05	17,744,002.49 7.97
Power Purchased.....	161,053,807.83	162,176,470.48	(1,122,662.65) (0.69)
Other Operation Expenses.....	72,851,353.00	159,713,406.51	(86,862,053.51) (54.39)
Maintenance.....	56,697,433.68	58,349,837.48	(1,652,403.80) (2.83)
Depreciation.....	86,287,786.44	94,582,732.99	(8,294,946.55) (8.77)
Amortization Expense.....	3,047,500.30	2,965,866.19	81,634.11 2.75
Taxes			
Federal Income.....	53,254,203.92	50,879,359.00	2,374,844.92 4.67
State Income.....	12,291,338.66	10,942,944.00	1,348,394.66 12.32
Deferred Federal Income - Net.....	8,992,068.75	(23,912,840.00)	32,904,908.75 (137.60)
Deferred State Income - Net.....	4,328,964.00	(4,347,738.00)	8,676,702.00 (195.57)
Federal Income - Estimated.....	(2,347,395.16)	2,258,454.98	(4,605,850.14) (203.94)
State Income - Estimated.....	(672,919.94)	659,350.06	(1,332,270.00) -
Property and Other.....	14,001,378.17	16,351,748.90	(2,350,370.73) (14.37)
Loss (Gain) from Disposition of Allowances.....	(317,036.15)	(221,756.05)	(95,280.10) 42.97
Total Operating Expenses.....	709,905,537.04	753,090,797.59	(43,185,260.55) (5.73)
Net Operating Income.....	146,005,061.85	101,552,603.86	44,452,457.99 43.77
Other Income Less Deductions			
Interest and Dividend Income.....	1,207,228.34	1,258,450.84	(51,222.50) (4.07)
Other Income Less Deductions.....	7,491,917.97	6,134,638.01	1,357,279.96 22.12
AFUDC - Equity.....	42,912.16	60,809.00	(17,896.84) (29.43)
Total Other Income Less Deductions.....	8,742,058.47	7,453,897.85	1,288,160.62 17.28
Income Before Interest Charges.....	154,747,120.32	109,006,501.71	45,740,618.61 41.96
Interest on Long Term Debt.....	25,389,624.97	29,436,800.78	(4,047,175.81) (15.75)
Amortization of Debt Expense - Net.....	1,203,959.92	1,241,878.58	(37,918.66) (3.05)
Other Interest Expenses.....	4,050,335.15	6,922,411.45	(2,872,076.30) (41.49)
AFUDC - Borrowed Funds.....	(22,177.55)	(24,721.52)	2,543.97 (10.29)
Total Interest Charges.....	30,621,742.49	37,576,369.29	(6,954,626.80) (18.51)
Net Income Before Cumulative Effect of Acctg. Chg.....	124,125,377.83	71,430,132.42	52,695,245.41 73.77
Cumulative Effect of Accounting Chg Net of Tax.....	-	136,177.00	(136,177.00) -
Net Income.....	124,125,377.83	71,566,309.42	52,559,068.41 73.44
Preferred Dividend Requirements.....	2,256,005.27	2,256,005.92	(0.65) -
Earnings Available for Common.....	121,869,372.56	69,310,303.50	52,559,069.06 75.83

KENTUCKY UTILITIES COMPANY
COMPARATIVE BALANCE SHEETS AS OF APRIL 30, 2002 AND 2001

ASSETS AND OTHER DEBITS	THIS YEAR	LAST YEAR	LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
Utility Plant			Capitalization		
Utility Plant at Original Cost.....	3,091,133,460.26	2,993,160,077.01	Common Stock.....	308,139,977.56	308,139,977.56
Less Reserves for Depreciation & Amortization.....	1,485,800,820.95	1,404,098,569.56	Common Stock Expense.....	(594,394.29)	(594,394.29)
Total.....	1,605,332,639.31	1,589,061,507.45	Paid-In Capital.....	15,000,000.00	15,000,000.00
Investments - At Cost			Other Comprehensive Income.....	1,588,424.00	1,588,424.00
Nonutility Property-Less Reserve.....	897,261.58	897,672.00	Retained Earnings.....	436,680,186.67	345,101,895.50
Investments in Subsidiary Companies.....	2,098,148.35	2,307,066.96	Unappropriated Undistributed Subsidiary Earnings.....	802,348.35	1,011,266.96
Investments in KU-R.....	3,000,000.00	3,000,000.00	Total Common Equity.....	761,616,542.29	670,247,169.73
Ohio Valley Electric Corporation.....	250,000.00		Preferred Stock.....	40,000,000.00	40,000,000.00
Other.....	837,899.66	986,268.77	First Mortgage Bonds.....	484,830,000.00	484,830,000.00
Special Funds.....	6,103,257.43	5,939,406.03	Other Long-Term Debt.....		
Total.....	13,186,567.02	13,130,413.76	Long-Term Debt Marked to Market.....	2,061,900.00	1,666,542.00
Current and Accrued Assets			Total Long-Term Debt.....	486,891,900.00	486,496,542.00
Cash.....	4,959,988.82	1,933,691.72	Total Capitalization.....	1,288,508,442.29	1,196,743,711.73
Special Deposits.....	183,579.04	183,579.04	Current and Accrued Liabilities		
Temporary Cash Investments.....			Advances from Associated Companies.....		
Accounts Receivable-Less Reserve.....	8,503,744.38	13,560,562.60	Long-Term Debt Due in 1 Year.....		
Notes Receivable from Assoc. Companies.....			Notes Payable.....		
Notes Receivable from KU-R.....	50,113,873.00	29,690,381.00	Notes Payable to Associated Companies.....	52,889,649.91	39,489,649.91
Accounts Receivable from Assoc. Companies.....	8,092,717.21	13,966,448.51	Accounts Payable.....	38,241,865.21	78,403,598.38
Materials & Supplies-At Average Cost			Accounts Payable to Associated Companies.....	25,043,304.02	26,427,287.12
Fuel.....	44,862,381.18	32,350,586.87	Customer Deposits.....	10,968,812.74	10,545,856.11
Plant Materials & Operating Supplies.....	21,873,583.15	20,916,233.11	Taxes Accrued.....	28,551,042.49	26,693,198.18
Stores Expense.....	5,042,029.01	5,077,858.94	Interest Accrued.....	6,828,828.68	9,179,363.25
Allowance Inventory.....	122,791.54	238,790.09	Dividends Declared.....	376,000.00	376,000.00
Prepayments.....	5,063,451.00	2,944,283.11	Misc. Current & Accrued Liabilities.....	6,049,199.54	7,669,902.23
Miscellaneous Current & Accrued Assets.....	(0.54)	2,640,426.11	Total.....	168,948,702.59	198,784,855.18
Total.....	148,818,137.79	123,502,841.10	Deferred Credits and Other		
Deferred Debits and Other			Accumulated Deferred Income Taxes.....	320,993,311.31	314,287,354.00
Unamortized Debt Expense.....	4,205,061.54	4,547,686.54	Investment Tax Credit.....	10,451,698.00	13,751,993.00
Unamortized Loss on Bonds.....	5,852,121.42	6,721,790.34	Regulatory Liability - Deferred Taxes.....	56,994,651.00	61,156,609.00
Accumulated Deferred Income Taxes.....	83,269,841.48	94,398,854.45	Customer Advances for Construction.....	1,541,710.99	1,607,757.25
Deferred Regulatory Assets.....	75,854,725.87	34,791,096.98	Other Deferred Credits.....	7,191,739.11	8,571,637.58
Other Deferred Debits.....	17,447,710.34	26,001,218.35	Misc. Long-Term Liabilities.....	45,257,375.66	45,094,897.41
Total.....	186,629,460.65	166,460,646.66	Misc. Long-Term Liab. Due to Assoc. Co.....	2,242,913.00	2,242,913.00
Total Assets and Other Debits.....	1,953,966,804.77	1,892,155,408.97	Accum Provision for Post-Retirement Benefits.....	54,079,173.82	49,913,680.82
			Total.....	496,509,659.89	496,626,842.06
			Total Liabilities and Other Credits.....	1,953,966,804.77	1,892,155,408.97

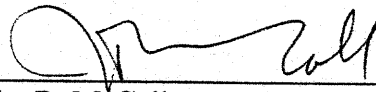
KENTUCKY UTILITIES COMPANY
ANALYSIS OF RETAINED EARNINGS
APRIL 30, 2002

	Year to Date		Year Ended Current Month	
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings
Retained Earnings and Undistributed Earnings				
Balance Beginning of Period.....	410,275,096.96	114,735.25	410,389,832.21	500,132.14
Net Income To Date.....	27,344,572.40		27,344,572.40	
Adjust for Equity in Subsidiary Earnings for Year				
-EE Inc.....	(830,082.00)		(830,082.00)	830,082.00
Dividends Rec'd Current Year				
-EE Inc.....	527,865.79		527,865.79	(527,865.79)
Preferred Stock Dividends				
Common Stock Dividends.....	(752,001.73)		(752,001.73)	
Balance End of Period.....	436,565,451.42	114,735.25	436,680,186.67	802,348.35
Combined Retained Earnings				
Retained Earnings Beginning of Period.....	346,113,162.46	327,302,858.96		
Add Net Income.....	124,125,377.83	71,566,309.42		
Subtotal.....	470,238,540.29	398,869,168.38		
Deduct				
Dividends on Preferred Stock.....	2,256,005.27	2,256,005.92		
Dividends on Common Stock.....	30,500,000.00	50,500,000.00		
Preferred Stock Redemption Exp and Other.....				
Retained Earnings End of Period.....	437,482,535.02	346,113,162.46		

SECRETARY'S CERTIFICATE

I, John R. McCall, certify that I am Executive Vice President, General Counsel and Corporate Secretary of Kentucky Utilities Company, a Kentucky corporation (the "Company"); that I am one of the officers of the Company authorized to make certified copies of the corporate records; and as Corporate Secretary, I have access to all original records of the Company. I do hereby certify that attached hereto are resolutions of the Board of Directors of the Company duly adopted by written consent in lieu of a meeting on May 31, 2002, and that the same are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have signed this Certificate this 11th day of June, 2002.

A handwritten signature in black ink, appearing to read 'John R. McCall', is written over a horizontal line.

John R. McCall
Corporate Secretary

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
KENTUCKY UTILITIES COMPANY**

Re: Refinancing of Pollution Control Revenue Bonds

May 31, 2002

WHEREAS, the County of Carroll, Kentucky has issued and outstanding: \$96,000,000 in principal amount of its Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project) 1992 Series A (such series of bonds being herein referred to as the "Existing Pollution Control Bonds"); which provide financing and refinancing for the acquisition of certain pollution control facilities (the "Project") of the Company in Carroll County in Kentucky (referred to herein as the "Issuer"); and

WHEREAS, market conditions may warrant, in the foreseeable future, refinancing of all or a portion of the Existing Pollution Control Bonds, and it is appropriate and in the best interest of the Company that action be taken to authorize such an undertaking; and

WHEREAS, in connection with the refinancing of the Existing Pollution Control Bonds, the Company may secure its payment obligations under one or more loan agreements with the Issuer; and

WHEREAS, such security may be in the form of bond insurance and/or one or more series of the Company's First Mortgage Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Company as follows:

- (a) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and directed to cause the preparation of, and to approve, the following documents in connection with the refinancing of all or a portion of the Existing Pollution Control Bonds referred to above: (i) a loan agreement or loan agreements to be entered into between the Company and the Issuer whereby such Issuer will issue one or more series of its Pollution Control Revenue Bonds (collectively, the "Pollution Control Bonds") and loan the proceeds to the Company to be used to pay and discharge all or a part of its Existing Pollution Control Bonds and pursuant to which the Company will be obligated to make loan payments sufficient to pay the principal of, premium, if any, and interest on such Pollution Control Bonds to be issued by such Issuer, and any related expenses, (ii) one or more guaranties from

the Company in favor of a trustee or trustees chosen or appointed by such officers of the Company (the "Trustee") for the benefit of the holders of the Pollution Control Bonds guaranteeing repayment of all or any part of the obligations under such Pollution Control Bonds, (iii) such contracts of purchase, underwriting agreements or similar contracts or agreements with the Issuer and with other appropriate parties relating to the issuance of the Pollution Control Bonds, (iv) a preliminary official statement or preliminary official statements and a final official statement or final official statements which will describe the Company, the Issuer, the Project, the Pollution Control Bonds, the loan agreements the First Mortgage Bonds, and indentures of trust pursuant to which such Pollution Control Bonds are to be issued, and which will be used by the underwriter or underwriters chosen by such officers of the Company (the "Underwriters") in connection with the sale of such Pollution Control Bonds to the public, (v) a form or forms of escrow agreement, or such other documents as may be deemed appropriate, by and between the Issuer and the trustee under the indenture pursuant to which the Existing Pollution Control Bonds were issued and pursuant to which certain securities may be held by such trustee in order to provide for the payment and discharge of the Existing Pollution Control Bonds, (vi) such reimbursement agreements, remarketing agreements, auction agreements, broker-dealer agreements, credit agreements, bond insurance documents or agreements or other similar documents or agreements as may be reasonably required, in the event the Pollution Control Bonds, or any of them, are issued as variable rate demand or similar instruments, in the discretion of such officers, (vii) one or more supplemental indentures and/or supplemental trust indentures pursuant to which the Company may issue its Notes or First Mortgage Bonds to secure the transaction, and (viii) such other related documents, forms, certificates or agreements as shall be necessary or appropriate to effectuate such refinancing.

- (b) That the officers of the Company be, and each of them hereby is, authorized by and on behalf of the Company, to negotiate and enter into one or more Indentures or similar agreements (collectively, the "Indenture") with a trustee or trustees to be selected by the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President or the Treasurer, as supplemented by one or more supplemental indentures thereto, and to issue from time to time the Notes or Bonds thereunder, each in substantially the form presented to and approved by any such officer with such changes thereto as the officer executing each of such documents deems appropriate, with such officer's execution of the definitive documents to conclusively evidence such officer's approval and the approval of this Board of Directors.
- (c) That the Chief Executive Officer, the President, the Chief Financial

Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and empowered (i) to execute and file, or cause to be filed, on behalf of the Company such applications or petitions with any federal, state, or local commission, court, agency or body having jurisdiction as may be required to obtain any approvals, consents, orders or rulings as such officers or counsel for the Company may deem to be necessary or desirable in connection with the Company's participation in such financing and the transactions and documents contemplated thereby, and (ii) to execute and deliver or file such amendments or supplements to said applications or petitions as may be required by law or as may be deemed to be proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the foregoing.

- (d) That the Company shall borrow the sum of not to exceed \$96 million from the Issuer in accordance with the terms of the loan agreement or loan agreements, and the proceeds of such borrowings shall be used by the Company to pay and discharge all or a portion of the Existing Pollution Control Bonds and for such other purposes, if any, as may be provided in any of the agreements and documents required to be executed and delivered in connection with the issuance of the Pollution Control Bonds.
- (e) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be, and each of them, hereby is authorized to approve offers for the purchase from the County of Carroll, Kentucky, of not to exceed \$96,000,000 principal amount of Pollution Control Bonds. Such purchases may be through negotiation, competitive bidding, or private placement transaction, as determined to be reasonable. The proceeds will be loaned to the Company, at such purchase prices, which shall be not less than the principal amount thereof plus accrued interest from the date of such Pollution Control Bonds to the date of closing, and at such interest rate or rates, as determined to be reasonable.
- (f) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, one or more loan agreements with the County of Carroll, Kentucky, providing for the loan to the Company of the proceeds of not to exceed \$96,000,000 principal amount of Pollution Control Bonds, in accordance with the terms and provisions thereof.
- (g) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, one or more guaranties in favor of the Trustee for the benefit of the holders of the Pollution Control Bonds guaranteeing the payment of all or any part of the

obligations under such Pollution Control Bonds.

- (h) That the appropriate officers of the Company be, and each of them hereby is, authorized to execute, on behalf of the Company, one or more contracts of purchase, underwriting agreements or similar contracts or agreements with Carroll County, Kentucky, and with other appropriate parties relating to the sale of not to exceed \$96,000,000 principal amount of Pollution Control Bonds.
- (i) That there is created for issuance under the Indenture of Mortgage or Deed of Trust, dated May 1, 1947, as supplemented, from the Company to Continental Illinois National Bank and Trust Company of Chicago and Edmond B. Stofft, as Trustees, one new series of bonds of the Company designated "First Mortgage Bonds, Pollution Control Series No. 16," in a principal amount not to exceed \$96,000,000 (the "Bonds"), the principal amount of and interest on which Bonds shall not be payable except upon the occurrence of an event of default or otherwise as set forth in a new Supplemental Indenture (the "Supplemental Indenture") pertaining to the Bonds. The terms and provisions thereof shall be substantially as set forth in the form or forms of bond provided in the Supplemental Indenture with such variations (in the event temporary bonds are issued originally) as are contemplated by Section 12 of Article I of the Indenture.
- (j) That for purposes of setting forth the particulars of the Bonds, of specifically subjecting property to the lien of said Indenture as supplemented; of supplementing Article I of said Indenture; and of adding to the covenants set forth in said Indenture new covenants to be performed and observed by it, this Company shall execute and deliver to U.S. Bank National Association and Richard Prokosch, or their successors, as Trustees, a Supplemental Indenture.
- (k) That the President, Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be and they are hereby authorized, empowered and directed on behalf of this Company to cause the Supplemental Indenture to be filed for record as necessary and to take any other steps to make it binding upon and enforceable against this Company in accordance with its terms.
- (l) That the President, any Vice President, Treasurer, or any other officer of the Company be and they are hereby authorized, empowered and directed to execute on behalf of this Company (the signature of Richard Aitken-Davies, as Chief Financial Officer, and the facsimile signature of John R. McCall, as Secretary being hereby approved and adopted) not to exceed \$96,000,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 16, of this Company, to cause its corporate seal to be

affixed or printed, lithographed or engraved thereon and to cause said Bonds to be authenticated by the manual signature of an authorized officer or agent of U.S. Bank National Association or its successor, as Trustee.

- (m) That the President, Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be and any of them hereby is authorized, empowered and directed to deliver not to exceed \$96,000,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 16, on behalf of this Company to the Trustee under an Indenture of Trust from the County of Carroll, Kentucky, to such Trustee, in accordance with the terms of the contract of purchase, or similar agreement providing for the sale of the Pollution Control Bonds of the Issuer, which Pollution Control Bonds of the Issuer, are described herein.
- (n) That U.S. Bank National Association or its successor, as Trustee, be and it is hereby authorized, empowered and directed, upon compliance by the Company with the applicable provisions of said Indenture dated May 1, 1947, as supplemented and as it is to be supplemented, to authenticate and deliver not to exceed \$96,000,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 16.
- (o) That the President, Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be and any of them is hereby authorized, empowered and directed to execute any and all instruments, pay any and all taxes, and do any and all acts and things that may be necessary or required by said Indenture dated May 1, 1947, as supplemented and as it is to be supplemented, or that may in their judgment be advisable to effectuate the issuance, authentication, delivery and sale of not to exceed \$96 million principal amount of the Bonds according to the tenor and purport of these resolutions, and without limitation of the foregoing that the officers of this Company be and they are hereby authorized, empowered and directed to make an application or applications to the Trustee as provided in Article II of said Indenture dated May 1, 1947, for authentication and delivery by the Trustee of the Bonds, in the aggregate principal amount of not to exceed \$96 million under the provisions of Sections 2, 3 and/or 4 of said Article II of said Indenture dated May 1, 1947.
- (p) That the President, Chief Financial Officer, any Vice President, or any other officer of the Company be and they are hereby authorized, empowered and directed to cause this Company's corporate name and seal to be affixed to said Supplemental Indenture and to sign, attest, acknowledge and deliver said Supplemental Indenture for and in behalf of this Company.

- (q) That there is hereby created an Indenture Committee of this Board of Directors, said Indenture Committee being empowered and authorized to adopt such other resolutions as may be deemed necessary or desirable under the Indenture dated May 1, 1947 to consummate the transactions contemplated by these resolutions and that the individuals serving as Chief Executive Officer of the Company and as Chief Executive Officer and Chief Financial Officer, respectively, of Powergen plc (provided that, in each case, they are members of this Board of Directors) are designated and appointed as the members of said Indenture Committee.
- (r) That the officers of the Company be, and each of them hereby is, authorized by and on behalf of the Company, to negotiate and enter into one or more bond insurance or similar agreements with a bond insurer to be selected by the Chief Executive Officer, the President, Chief Financial Officer, any Vice President or the Treasurer, each in substantially the form presented to and approved by any such officer with such changes thereto as the officer executing each of such documents shall deem necessary or advisable, the execution of such documents thereby to conclusively evidence such officer's approval and the approval of this Board of Directors.
- (s) That in the event all or a portion of the Pollution Control Bonds bear a variable rate of interest, the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company one or more remarketing agreements, auction agreements, reimbursement agreements or similar agreements with appropriate parties providing for the remarketing of such Pollution Control Bonds, a credit agreement or credit agreements or similar agreements and any promissory notes to be issued pursuant to such agreements for the purpose of providing a source of funds upon tender of such Bonds, and any other agreements in order to consummate the transactions contemplated by the loan agreement or loan agreements.
- (t) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company: (i) one or more interest rate swap, collar, or cap agreements or similar agreements with one or more underwriters, banks or other financial institutions providing for the hedging of the interest rate on the Pollution Control Bonds and (ii) any other agreement, document or instrument that may be necessary or appropriate in connection with any such transaction.
- (u) That the Chief Executive Officer, the President, any Vice President, or any other officer of the Company be, and each one of them is, authorized, empowered and directed to take any action and to execute and deliver any document, certificate or other instrument, including one or more escrow agreements, that may be necessary or appropriate: (i) to call for

redemption the Existing Pollution Control Bonds and first mortgage bonds which secure such Existing Pollution Control Bonds on such date as said officer or officers may deem appropriate, or (ii) to otherwise effect the payment and discharge of the Existing Pollution Control Bonds and first mortgage bonds which secure such Existing Pollution Control Bonds.

- (v) That the officers of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company and under its corporate seal or otherwise, to take or cause to be taken all such further actions and to execute and deliver or cause to be executed and delivered all such further documents, bond insurance documents or agreements, certificates and agreements (including without limitation, instruments authorizing or consenting to amendment, modifications or waivers to any of the agreements or disclosure documents executed in connection with the issuance, execution and delivery of the Notes or Bonds, the execution and delivery of the First Mortgage Bonds, the execution and delivery of the bond insurance documents or agreements, and the execution and delivery of the Indenture) as such persons may deem necessary, advisable or appropriate in connection with the transactions contemplated thereby and hereby, and to incur all such fees and expenses as shall be necessary, advisable or appropriate in their judgment in order to carry into effect the purpose and intent of any and all of the foregoing resolutions.
- (w) That the Chief Executive Officer, the President, Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be and they are hereby authorized and empowered to take all steps or actions, and to execute and deliver any other documents, certificates or other instruments, deemed necessary, proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the financing referred to above and to carry out the purposes of the foregoing resolutions.
- (x) That Daniel K. Arbough is hereby appointed as "Company Representative" and S. Bradford Rives and Richard Aitken-Davies are hereby appointed as "Alternate Company Representatives," respectively, under the provisions of the pollution control indentures and the loan agreements. The President and any Vice President, the Chief Financial Officer or the Treasurer of the Company are authorized to appoint from time to time other persons (who may be employees of the Company) to act as "Company Representative" or "Alternate Company Representative" under the pollution control indentures and the loan agreements.
- (y) That any acts of the officers of this Company, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified,

confirmed, approved and adopted as acts in the name of and on behalf of this Company.

- (z) That the Board of Directors does hereby adopt, as if fully set out herein, the form of any resolutions with respect to the Pollution Control Bonds as may be required by the Underwriters, U.S. Bank National Association, as Trustee, and any other entities requiring such resolutions to effect the intent of these resolutions.
- (aa) That each of the Chief Executive Officer, President, Chief Financial Officer, any Vice President, the Chief Financial Officer, the Treasurer, the Secretary or any Assistant Secretary of the Company be, and hereby is, authorized and directed to take any and all further action to see that the intent of the above resolutions are carried forth.

FORM OF PROPOSED ORDER

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: PETITION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER AUTHORIZING) DOCKET NO. _____
THE ISSUANCE OF SECURITIES AND THE)
ASSUMPTION OF OBLIGATIONS)

ORDER

This matter is before the Tennessee Regulatory Authority ("Authority") upon the Petition of Kentucky Utilities Company ("KU"), filed June 21, 2002, for approval to issue its First Mortgage Bonds in an aggregate principal amount not to exceed \$96,000,000 and to assume certain obligations in connection therewith, represented by loan agreements with Carroll County, Kentucky, in connection with the simultaneous issuance by Carroll County, Kentucky of the Carroll County Refunding Bonds, the proceeds of which will be loaned to KU. KU will use the proceeds of the Carroll County Refunding Bonds to provide refunding of the \$96,000,000 principal amount of County of Carroll, Kentucky 7.45% Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series A (the "Existing Bonds"). The proposed First Mortgage Bonds of KU will be used to secure and collateralize the Carroll County Refunding Bonds. KU also has requested authority to execute and deliver, as required, and to perform its obligations under, loan agreements with Carroll County, and any guaranties, remarketing agreements and the various credit and hedging facilities, auction rate and other agreements, and notes as are set forth in the Petition and to perform the transactions contemplated by those agreements.

The Authority, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the proposed First Mortgage Bonds and the Carroll County Refunding Bonds and assumption of obligations in connection therewith as set out in KU's Petition will result in overall lower debt costs for KU and consequently the public, and is for lawful objects within the corporate purposes of KU's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. KU is authorized to issue and deliver the new First Mortgage Bonds in an aggregate principal amount not to exceed \$96,000,000 in the manner set forth in its Petition.
2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreements with Carroll County, Kentucky, and under any guaranties, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and facilities, and such other agreements and documents as set out in its Petition, and to perform the transactions contemplated by all of such agreements.
3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the Petition.
4. KU shall agree only to such terms and prices that are consistent with the parameters set out in its Petition.
5. KU shall, within 30 days from the date of issuance, file with this Authority a statement setting forth the date or dates of issuance, the price paid, the interest rate or rates, and

all fees and expenses, including underwriting discounts or commissions or other compensations, involved in the issuance and distribution.

6. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any bonds issued as described in the Petition of Kentucky Utilities in this docket. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority or the State of Tennessee or any political subdivision thereof for the transaction approved herein.

7. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.

ATTEST:

Executive Secretary

Chairman

Director

Director